



**CITY OF LODI  
COUNCIL COMMUNICATION**

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**AGENDA TITLE:** Adopt Resolution to allow employees to purchase CalPERS service credits with pre-tax payroll deductions.

**MEETING DATE:** December 17, 2008

**SUBMITTED BY** Human Resources Manager

**RECOMMENDED ACTION:** Staff recommends Council Adopt the Resolution to allow employees to purchase CalPERS service credits with pre-tax payroll deductions.

**BACKGROUND INFORMATION:** As members of the California Public Employees Retirement System (CalPERS), City of Lodi employees can purchase additional years of service credits if they meet certain criteria. Additionally, upon resignation, if a CalPERS member "cashes in" their service credits, he or she has the option of repurchasing those service credits if he/she becomes a CalPERS member in the future. Both of these actions are paid by the employee with no contributions by the employer.

CalPERS allows employees to purchase service credits using either pre-tax or after-tax deductions. Most agencies have passed the attached CalPERS Resolution that allows employees to purchase service credits using pre-tax dollars. The City of Lodi has not yet passed this resolution. The action before the Council today is to request adoption of the attached CalPERS Resolution to allow employees to use pre-tax payroll deductions to purchase service credits.

There is no fiscal impact to the City for this action

**FISCAL IMPACT:** There is no fiscal impact related to this agenda item since the employees who elect to purchase service credits will incur the expense.

**FUNDING AVAILABLE:** Not applicable.

Respectfully submitted,

Dean Gualco, Human Resources Manager

APPROVED: Blair King, City Manager

RESOLUTION NO. 2008-248

A RESOLUTION OF THE LODI CITY COUNCIL  
ALLOWING EMPLOYEES TO PURCHASE CALPERS  
SERVICE CREDITS WITH PRE-TAX PAYROLL  
DEDUCTIONS

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WHEREAS, the Board of Administration of California Public Employees' Retirement System (CalPERS) approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the City of Lodi has the authority to implement the provision of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are member of CalPERS;

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the attached CalPERS resolution allowing City of Lodi employees to purchase CalPERS service credits with pre-tax payroll deductions.

Date: December 17, 2008

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I hereby certify that Resolution No. 2008-248 was passed and adopted by the Lodi City Council in a regular meeting held December 17, 2008, by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Johnson, Katzakian, Mounce,  
and Mayor Hansen

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



Barry D. JOHL

EMPLOYER PICKUP RESOLUTION  
PRE-TAX PAYROLL DEDUCTION PLAN  
**FOR WEVICE CREDIT PURCHASES**  
(CONTRIBUTION CODE 14)

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) at the April 1996 meeting approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the City of Lodi has the authority to implement the provision of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are member of CalPERS; and

WHEREAS, the City of Lodi elects to participate in the pre-tax payroll deduction plan for all members in the following CalPERS coverage group(s):

Local Safety Employees  
Local Miscellaneous Employees

NOW, THEREFORE, BE IT RESOLVED:

- I. That the City of Lodi will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases pursuant to the California State Government Code on behalf of its employees who are members of CalPERS and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to CalPERS which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases, thereby resulting in tax deferral of employee contributions.
- II. That the contributions made by the City of Lodi to CalPERS, although designated as employee contributions, are being paid by the City of Lodi in lieu of contributions by the employees who are members of CalPERS.
- III. That the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the City of Lodi to CalPERS.

- IV. That the City of Lodi shall pay to CalPERS the contributions designated as employee contributions for the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions.
- V. That the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than July 1, 1996, or the date the completed resolution is received and approved in CalPERS, whichever is later.
- VI. That the governing body of the City of Lodi shall participate in and adhere to requirement and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated Coverage Group(s) who have elected to participate in this plan.

PASSED AND ADOPTED by the governing body of the City of Lodi this 17th day of December, 2008.

BY Bair King  
 Bair King  
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 City Manager

RETURN ADDRESS:

City of Lodi  
 Attn: Human Resources  
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 Lodi, CA 95240

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